

## **APPENDIX C**

### **SUPPLIES AND EQUIPMENT**

#### **Reasons for Distinguishing Between Supplies and Equipment**

Education agencies have found it useful to distinguish between supplies and equipment for several reasons:

- The distinction may assist in deciding how to control or keep track of an item. For example, some funding programs require that all equipment items be inventoried annually. At the same time, many LEAs will inventory certain items, regardless of whether they are equipment or whether they are required by law to do so;
- The distinction may bear on insurance decisions. Supplies and movable equipment are usually insured as part of the contents of buildings, while built-in equipment is usually insured as part of the structure;
- The distinction can affect calculations of cost of operations and cost per student. While most reports include expenditures for supplies in calculating current operating costs, many reports treat equipment differently. Some include all expenditures for replacement equipment in the current operating cost total, excluding the cost of new and additional equipment. Others prorate the cost of all equipment over several years. In both cases, the incorrect classification of supplies or equipment items can affect the resulting cost calculations;
- The distinction can affect the amount of State or Federal aid allocated to an LEA. Several funding sources use per-student costs as part of their funding formula (see the preceding paragraph). Most funding programs limit the ways in which their funds may be spent, sometimes excluding either supplies or equipment from the list of eligible purchases.

#### **Criteria for Distinguishing Supply and Equipment Items**

At one time, the Federal accounting handbook contained lists of both supplies and equipment. Such lists can never be comprehensive or exhaustive, and quickly become outdated. In an effort to resolve the need to differentiate supplies and equipment without exhaustive lists, NCES has proposed a set of criteria for distinguishing equipment from supply items, listed in priority order. At the first "NO", the item is declared to be a supply, not equipment. If all are "YES", the item is declared to be equipment.

**CRITERIA FOR DISTINGUISHING EQUIPMENT FROM SUPPLY ITEMS**  
**(Listed in Priority Order)**

Lasts more than one year → NO

↓  
YES

Repair rather than replace → NO

↓  
YES

Independent unit rather than  
being incorporated into  
another unit item → NO

↓  
YES

Cost of tagging and inventory  
small percent of item cost → NO

↓  
YES

Exceeds minimum dollar value  
mandated by State or other  
Governmental unit (with due  
regard for group control of  
some items) e.g. \$300.00 → NO

↓  
YES

If all YES  
item is declared  
to be EQUIPMENT.  
Use Object Codes 730-739.

At first NO  
item is declared  
to be a SUPPLY.  
Use Object  
Codes 600-699.

This diagram was conceived by James Bliss, Ph. D., Assistant Superintendent for Business Services  
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